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ABSTRACT

The rural and manufacturing co-operatives and credit co-operatives in the Federal Republic of Germany have succeeded in continuously expanding and consolidating their position within the framework of the country's market economy. As the biggest organizations of medium-size enterprises, the co-operatives have adapted to the new circumstances prevailing in an industrialized society and at the same time have kept their obligation to help with development and expansion projects in the Third World. The voluntary character of the organization and co-operative combine to form the key feature of every western style co-operative. The details of co-operative work date back to the life's work of Friedrich Wilhelm Raiffeisen (1818-1888) who, around the middle of the 19th century, encouraged the rural population in Germany to help one another cope with poverty and hardship through self-help, self-administration, and individual responsibility. The report's four sections discuss: the basic features of the co-operative system in the Third World; rural co-operatives in a world-wide link-up; German development aid and self-help promotion; and a model case in The Federal Republic of Germany. (BZ)

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It all began with Raiffeisen

- Co-operatives as instruments of self-help and development -

By Kurt Nover

par

Kurt Nover

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1. Basic features of the co-operative system in the Third World

The opportunities and risks involved in co-operation

Stength through unity. This forms the foundation of the co-operative ideal and everyday practice provides the proof of its veracity.

Primarily, small farmers produce to cover their own needs. Naturally, what they produce over and above this is for sale. But, generally speaking, small farmers can offer their wares only at the nearest market-place, even if demand is greater at a market one day's journey distant, offering promise of higher profits and a reliable sales outlet. Division of labour in agricultural co-operatives, on the other hand, makes it possible to sell at market-places in a wide environment. At the same time, there is greater scope for the purchase of required goods. So the sale of wares brings in more money and the procurement of wares costs less.

In either case, common assets grow. The co-operative can then use the savings thus effected over a period of time to establish its members' own bank or savings bank, furnishing them with a common source of credit. The co-operative determines rates of interest in some countries. After all, it is they that own the bank.

Above all, however, the existence of a "community" stimulates individual initiative. Co-operatives are in a position to realise projects beyond the means of their individual members. And each additional form of activity enhances the prospects for even more prosperity.

Rural co-operatives exist today all over the world, specialising in particular areas of activity. Examples are cattle breeding, dairy production, fisheries and the further processing and conservation of agricultural products.

Master craftsmen, retailers, small-scale manufacturers and the self-employed are united in credit, purchasing and sales co-oper-

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atives. The wide variety of other facilities includes home-building co-operatives. And even the toughest competitors have common interests, as seen in road transport co-operatives. Built up on a regional basis, they operate their own filling stations, repair shops, spare parts stores, guarded truck parks, resthouses and hotels along the main road traffic arteries. The Federal Republic of Germany has additionally at national level a transport bank with branches, an insurance group and an accounting centre. Co-ordinating bureaus handle freight offers and demands in the main centres of population and industry. There is also a co-operative business management advice service.

All these facilities are born of the conviction that unity makes strong. In turn, this is a strength that requires constant nurturing, and is a key aim of the wide-flung regional and national educational programmes of the co-operative organisation. The curricula embrace half-day and one-day courses, weekend seminars and longer courses on such subjects as co-operative structures, economical business management, market observation, progressive production methods and modern aids. They are addressed equally to entrepreneurs, senior staff and commercial and technical employees in positions of responsibility. The learning process is the solid bond of co-operative action and the only guarantee of long-lasting success. Of no less importance is the fact that advanced knowledge and skills reduce entrepreunarial risk.

Self-help through united forces

The sole purpose of co-operatives is to promote the businesses of their members. Deliberate refusal of outside assistance is designed to exclude the exertion of influence or the intrusion of alien interests into co-operatives. The Marxist "co-operatives" of the East Block are State-controlled economic institutions; their use of the same designation is a source of misunderstandings. The guiding principle of the western co-operative system is economic independence, which opens up a wide spectrum of possibilities. But all of thes co-operatives adhere to the same principles:

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- self-help
- an individual sense of responsibility
- self-administration.

On this basis of communal self-help and mutual assistance, each partner participates in the co-operative's successes and risks alike. By investing money or goods, each member contributes to building the foundation of the co-operative's existence, and in the same way acquires a business share. So each member is thus a shareholder.

In general, the amount of capital comprises a variety of individual contributions by members. The main thing is that there must always be scope for the basic concept of self-help to function. This means that business shares must be within the financial means of each individual member.

Everyone puts in as much material and capital as he wishes or can. Members' households, farms and businesses retain their independence. Only the cash flowing into the common coffers is common property - and this is what makes it possible to realise major projects.

However, when all's said and done, the most important "capital" of co-operative members is their actual work-power. In most production co-operatives, the active work involvement of all the members is regarded as the best basis for self-help. Increased productivity is the result, because there are many helping hands around when tough jobs have to be tackled. Common ownership goes hand-in-hand with common management and operation. The debasing "take-all" mentality of the indolent, who rely on help from others, gives way to the pride that goes with success. This is a result of self-help.

In a co-operative, self-respect and self-help are mutually complementary. Members are shareholders, partners, so they share in responsibility for all the activities of the enterprise. Everyone has a say in decisions, and decision is by majority vote. Production co-operatives, for example, need modern machines, equipment and transport media. Once acquired, these are available primarily for common tasks. Those using the "hardware" are responsible for ensuring that it is properly looked after. Unavoidable risks - to mention another feature - can be covered by

joint insurance protection. This, too, is an area of joint responsibility and self-administration. As in any commercial undertaking, there must be proper administration.Regardless of whether official representatives are of honorary capacity or full-time employees, they are appointed from among the members by the elected supervisory or management board. The co-operative also uses external examining bodies In this way, all shareholders can be assured that, at the end of a business year, they will obtain their share of the rewards.

From concept to joint action

Co-operatives don't just grow of their own accord. They require a great deal of thought and action, imagination, inspiring suggestions and enterprising initiatives. The founders of every co-operative have discovered that many roads lead to success, but also that stupid mistakes end in failure. Risks can never be eliminated, but they can be calculated and limited - and this is the crux of the matter. The key to business success often lies in calculated risk.

Usually, seven persons are enough to found a co-operative. They may be friends or acquaintances. They need have only a common objective in order to obtain an official permit and registration as a co-operative. But it is recommended that, before the deal is clinched informally, a binding contract should be drawn up, setting out the rights and responsibilities of individual partners.

Whatever happens, all "pros and cons" ought to be weighed carefully prior to taking the decisive step:

- who is actually going to take part?
- what money and materials are available for the common cause?
- which main products does the market want?
- where and how can required products be obtained at the most favourable prices?

It is also advisable to take up early contact with neighbouring co-operatives and their organisations, because a world-wide ,highly experienced network stands behind them.

2. Rural co-operatives in a world-wide link-up

International reputation of the Raiffeisen system

On the whole, the modern co-operative system is based on experience

going back to the middle of the last century. A German burgomaster was the pioneer of rural co-operatives: Friedrich Wilhelm Raiffeisen (1818 - 1888). In 1847, he founded the first organisation to help the poverty-stricken population of rural areas. The charity principle still prevailed. But then Raiffeisen developed his self-help concept. The year 1864 saw the founding of the "Heddersdorfer Darlehnskassenverein" credit institute, the first rural co-operative in which the self-help principle was firmly anchored. More such agencies were founded until, in 1877, Raiffeisen united them in his first umbrella organisation.

Today, there are rural co-operatives throughout the world functioning on the principles of self-help, as devised by Raiffeisen. This co-operative system has never been confined to geographical limits. The provision of advice to groups of individuals in neighbouring countries over and above national boundaries began at an early stage, wherever there was interest in the co-operative idea. Initially, this co-operation took place within Europe, with large numbers of co-operatives being founded. Tsarist Russia had more than 11,000 credit co-operatives based on the Raiffeisen principle by as early as 1916.

In many countries overseas, the co-operative system was not able to develop properly until the colonial powers had withdrawn. But then, more and more people resorted to the self-help idea. The world-wide influence of many decades of development work found expression in 1968 at the World Raiffeisen Conference in Frankfurt-on-Main, when 5,000 co-operative members from 71 countries gathered to mark the 150th anniversary of the birth of F.W. Raiffeisen and to pay tribute to the man who pioneered rural co-operatives. One of the climaxes of this solemn occasion was the founding of the International Raiffeisen Union (IRU), which now has 82 member organisations in 43 countries.

Permanent dialogue takes place within the IRU on experience gained in the establishment and development of co-operative facilities. As part of this process, important information is passed on, in particular, to organisations in the developing countries. The principles of key importance in this work were outlined by Willi Croll, President of the German Raiffeisen Association, to the International Raiffeisen Conference in Brussels in 1981:

- "The principles of self-help, self-administration and ind-

ividual responsibility realised by Raiffeisen are neutral from a social policy viewpoint and non-denominational. These are not the least of the reasons why Raiffeisen's idea has spread around the world and become the supporting pillar of co-operative work.

- The emerging States of the Third World have seen the importance of efficient co-operative establishments to development in rural regions. Furthermore, they know that social and political stability can be achieved, at the same time, through co-operatives of the type conceived by Raiffeisen.
- Wherever private initiative is not sufficient for the founding of co-operatives, governments should take the initiative. But it must be the State's objective to transfer full responsibility to the co-operatives as soon as possible.
- The Raiffeisen co-operatives of the developed countries are under obligation to help development and expansion in the countries of the Third World. Today, the countries of the Third World are confronted with the same situation that faced the co-operatives in Europe more than 100 years ago.
- Help for self-help can only succeed if it takes account of local political, economic and social conditions. The organisational forms and structures of co-operatives in developed countries are not models which can simply be exported to other countries. They must be adapted.
- Co-operatives are no panacea for economic and social problems. But, if properly adapted and consistently employed, they are highly effective, as history has shown.
- The International Raiffeisen Union does not pursue economic aims. But what it can offer is a fruitful exchange of views and ideas, intellectual argumentation in self-help questions, and this against the background of different political and social conditions.
- As European co-operatives, all we can do is draw repeated attention to the fact that we began 100 years ago in exactly the same way as our colleagues in the developing countries today."

In the first half of the last century, developments in Europe were influenced by the "Industrial Revolution". Machines dictated the work flow in the emerging and aspiring industries. Cheap,

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mass-produced goods pushed hand-made products from the market. Countless small craftsmen and tradesmen were driven out of business, and people seeking to make a living in industry were forced to do so for starvation wages. After poverty in the towns and cities, privation spread to the countryside. Germany in those days was the scene of the so-called "liberation of the peasants", when reforms made them the owners of the land they had tilled up to then. But, in return for this "liberty", they were forced to pay heavy taxes to their former masters. The crushing financial burdens on farmsteads could be dealt with only through loans at prohibitive interest rates. Conditions for farmers worsened even further as a result of disastrous harvests (1846/47).

Poverty and starvation prevailed around the time Raiffeisen began his work of establishing rural co-operatives.

Since then, self-help by the economically disadvantaged has been the leitmotif of these co-operatives. Any thought of "neo-colonialist machinations" would be absurd. By nature, the Raiffeisen system cannot be an "export article" designed to yield profits for European co-operatives. The sole aim is to extend collegial assistance to support self-help endeavours in the developing countries.

The developing countries cannot afford to wait 100 years for their economic strength to develop, so the co-operatives must be established and expanded as quickly as possible. Motivation and qualification of those responsible are decisive conditions to be met. Exchange of ideas with those with experience in this sphere is of great help because the jobs to be tackled demand organising talent, flexibility and endurance. The learning process in the countries concerned has priority, backed up by study visits to existing co-operatives.

Co-operatives in all parts of the world

It is of vital importance that the political and social structure of a country allows free co-operative systems at all. However, organised self-help is undoubtedly regarded in most countries as legitimate and worthy of encouragement.There are no detailed statistics capable of giving an overall picture of the proliferation of co-operatives, because changes are constantly taking place throughout the world. So there is no alternative but to resort to what are probably the most reliable estimates, based on surveys by the International Raiffeisen Union and COP, a world-wide

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co-operative association. These show that, in 1980, there were more than 640,000 co-operatives in 100 countries, with more than 250 million members active in accordance with the ideas and ideals of Raiffeisen. Some figures give an idea of how different these organisations are in the various geographical regions of the world.

Countries & continents	Co-operatives	Members
India	some 136,087	87 million
USA	some 20,000	45 million
Canada	some 5,500	8.5 million
Korea	some 2,700	2.9 million
Turkey	some 10,000	2.5 million
Africa (total)	some 51,000	11.5 million
Latin America (total)	over 20,000	6.8 million

Naturally, the economic strength of a co-operative grows with the number of its members, because - on principle - each partner must acquire a business share. While special regulations generally apply in developing countries, membership strengths are also a key criterion for the efficiency and strength of a co-operative.

On average a co-operative in the USA has 2,250 members, in Canada about 1,455, compared with only 225 in the developing countries of Africa. Co-operatives in Turkey are not much stronger in membership, average 250.

America

Naturally, statistical data gives only a rough impression of the size of these organisations. But the various structures do point to causal connections. In every country, the co-operative system is subject to the particular political, economic and social conditions and influences to be found there. This invites closer inspection. Of the continental groups of countries, contrasts in America are particularly pronounced. To the north of the continent, Raiffeisen-style co-operatives were established before the turn of the century. Independently of one another, two men set up co-operatives: Alphonse Desjardins in the Canadian province of Quebec and Edward A. Filene in Massachusetts/USA. Both have resulted in large co-operative movements, and in both cases, they are free to develop.

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In Brazil and Paraguay, it was German immigrants who began developing rural co-operatives, transferring the ideas of the Raiffeisen system from their old to their new homelands. Supported by the Swiss pastor Theodor Amstadt, German settlers set up the first Raiffeisen co-operative in Brazil at Nova Petropolis/Sta. Catarina in 1902. Their example was followed by more settlers of German origin in Santa Catarina and, gradually, the Raiffeisen system spread to other parts of Brazil. German missionaries were - and still are - involved in spreading the self-help principle among the natives of Mato Grosso. The development was similar in Paraguay, where a start was made by immigrant German Mennonites, to be followed by a veritable spate of co-operatives. The further development of these co-operatives has been - and still is being - supported by church missions and development aid volunteers from the Federal Republic of Germany.In recent decades, the original Raiffeisen system has been adapted more and more to modern conditions.

Many Latin American governments have acknowledged the importance of co-operatives to public welfare and the common good, and have acted accordingly. In some cases, co-operatives enjoy the protection of the State. But the opposite is true in other countries, particularly where a small social minority is defending its traditional privileges, often by means of force. Self-help establishments for "little people" often endanger these privileges, especially by being independent of the price and wage diktats of those in power. So, in some parts of Latin America, co-operatives suffer official harassment. In other areas, co-operative activities are tacitly forbidden.

So the comparatively sparse network of co-operatives in Latin America is no yardstick for their degree of organisation. On average, they have a membership of 423. Equally remarkable is the wide range of their fields of activity in some countries of Latin America - anything from credit agencies and goods exchanges to manufacture and marketing including transportation, and there is flourishing export trade with counterparts abroad and overseas.

Asia

The Raiffeisen system has also entered the most populous continent through the "colonial back door". India is a particularly interesting example. In 1904, the colonial government sent a British official to study co-operative credit agencies in Germany. (9)

This provided the catalyst for the development of the co-operative movement on the Indian sub-continent. The emphasis at first was on credit agencies, based largely on the principle of the rural Raiffeisen co-operative. It's doubtful, however, whether the subsequent spread of the self-help idea took place in accordance with the aims and intentions of the colonial masters. It was none other than Mahatma Gandhi who declared self-help - if in somewhat different forms - as a major instrument of the Indians' non-violent battle for freedom.

India is still a developing country dependent upon development aid from abroad. But this is true within the context of a powerful self help movement. Some 70 percent of the population lives from agriculture, with an overwhelming preponderance of small and "mini" land ownership. More than 95 percent of the villages and 45 percent of rural families are included in a close-knit network of more than 124,000 co-operatives. On average, there are 640 members per co-operative. Today, most co-operatives are agricultural producers, many of them in direct contact with the International Raiffeisen Union (IRU), which encourages exchanges of information and experience. Also, numerous development volunteers from the Federal Republic of Germany work in agriculture - and hence in the co-operatives - in India.

In most Asian countries, the Raiffeisen system at the very least sparked off the development of the co-operative system. This historic process has since been concealed through the emergence of new forms of organised self-help. Often, religious, philosophical or political motives determine the type of co-operative or other methods of mutual assistance.

The Socialist countries have chosen quite different methods. An outstanding example is the Chinese People's Republic, which has a highly developed co-operative system, if hard to compare with systems in operation in non-Communist countries. Instead of voluntary co-operatives, the collectives there form part of the State economy, functioning in nearly all spheres of work. Generally, a collective stands behind everything, be it agriculture, production at all levels, housebuilding, public transport or medical services. There can be little doubt that, from the State's point of view, the principle of self-help is predominant in China.

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Neither can anyone doubt that, in the Chinese People's Republic in particular, the collectives have performed gigantic tasks in the field of economic expansion. But these co-operative-type facilities are largely anathema to the tough competition entailed in private enterprise which, for co-operatives, is a permanent challenge to flexible action and reaction.

Japan, on the other hand, is an outstanding example of the establishment of co-operative ideas as a result of individual initiative. The first agricultural co-operatives with credit agencies were established there around 1890. In structure and mode of operation, they are largely based on the Raiffeisen system. Considering the alert minds of the Japanese, it was inevitable that there would be further developments such as specialised production and service co-operatives. But the original credit institutes with goods exchanges, as conceived in Germany, are still in the majority there. Today, every Japanese farmer is a co-operative member, and this is what counts.

The co-operative credit system is of central importance, providing farmers and fishermen with the money they need for investments. However, generally speaking, agricultural co-operatives in Japan are pillars of economical and market-orientated production. Employing a high technological standard and organisational niveau, these co-operatives supply the country with farm produce.

These three examples show the wide spectrum of co-operative structures within the various forms of society.

Africa

During the colonial days, but also since then, missionaries, sociologists and private development organisations in Africa sponsored small-scale co-operatives to realise democratic, Christian and humanist ideals. By introducing development-orientated forms of organisation - admittedly modelled on European production and marketing strategies - they set out, cautiously and gradually, to replace traditional rigid structures.

But many politicians in the young African States regarded the co-operatives merely as means of organising their loyalty or as vessels for the distribution of privileges and subsidies to sections of the population. The hopes and aims of those directly affected - the small farmers - took second place. Numerous abortive

projects and programmes have been the result, even in the post-colonial period.

These setbacks caused the realisation to spread that the affected population must be included to the greatest possible extent in the planning and execution of development programmes. However, it is not everywhere that there is a political will to promote the establishment of self-help organisations through deliberate and specific training and advice. Furthermore, many co-operative authorities in African countries are still too preoccupied by non-African models.

The often meagre success of State sponsorship of co-operative systems has led to a return in some countries to ethnic or traditional forms of economic cooperation at village level, for example in some regions of Ghana, Burkina Faso and Madagascar. Here, endeavours are made to persuade villagers to play an active role by adapting the forms of local self-help organisations to traditional, autochthonous structures and attitudes, i.e. by developing "African co-operatives". In this way, new legal regulations governing "pre-co-operatives" have been built into the co-operative laws of some African countries since the 1960s.

The idea behind these pre-co-operatives is to introduce future co-operative members slowly and gradually to this form of co-operative work. In the francophone countries of southern Africa, in particular, this strategy is being used in order to adapt this organisational framework to popular attitudes and customs by desisting from applying detailed legal rules of European origin. The intention is that the people directly concerned should initially organise joint activities according to their own criteria. If desired, they are advised by experts of the State development enterprises. In the early stages, many pre-co-operatives function without formal statutes, formally becoming co-operatives proper after periods of learning of various durations.

Pre-co-operatives in Niger, for example, are based on the village assembly principle, the difference being that younger participants are also allowed to participate in assemblies and discussions. Old and new organisational elements are blended in this case.

As regards the intensity and organisational forms of the co-operative system, however, clear distinctions must be made between

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individual African countries. In some African States or regions of countries in which economic development is relatively advanced, in which the general standard of education is quite high and in which the autochthonous organisational forms are losing significance, years of endeavour have led to the creation of co-operatives which function according to the rules of the classical European type of co-operative.

Africa as a whole has some 51,000 co-operatives with 6.8 million members.

Development of the self-help principle

Not all Raiffeisen-type co-operatives are based directly on the German model. In Indonesia, the co-operative system was initially promoted by the Netherlands; by the beginning of this century, Holland already had a close network of Raiffeisen-style co-operative facilities. Similar developments took place by way of the erstwhile colonial powers France, Italy, Spain and Portugal in Asian and African countries. After the colonial period, free nations in many cases simply adapted the co-operative system to their new ways of life and changed economic conditions.

Credit Unions became well established in the Philippines. This system operates from the USA, but is also based on the Raiffeisen principle. According to IRU statistics issued in 1984, the 2,180 Credit Unions in the Philippines have a total of 123,000 members.

In Korea, the first Raiffeisen-type farm co-operative was established in 1907. By 1982, there were 1,430, many of them specialised in particular sectors resulting in a rational division of labour. In all, these enterprises working in unison process and market the agricultural products of some two million members. Korea also has 1,140 Credit Unions with a total of about 830,000 members.

Turkey has some 10,000 agricultural co-operatives active in the credit, goods and service sectors. In 1980, they reported a total membership of 2.5 million, but later estimates put their number at well over three million "self-help partners". Most rural co-operatives in Turkey belong to the International Raiffeisen Union by way of their national associations.

Seen globally, the self-help principle today has reached out into

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the remotest regions. But at the same time, co-operative ideas still run into serious difficulties in a number of countries. There are small and "mini" farmers determined to operate independently. There are big landowners who are afraid their labourers will abscond, participate in co-operative production and thus end up being their competitors. Industry and commerce, the market-leaders to the fore, are at war with the co-operative "price-breakers". And, where the State does not want them, there are no co-operatives to be found.

For numerous Third World countries, encouragement to establish and extend the co-operative system continues to come chiefly from the Federal Republic of Germany. One important sponsor of this development is the German Raiffeisen Organisation itself. On its own initiative, it maintains close contacts to developing and "threshold" countries. The International Raiffeisen Union also sees itself as a mediator of the co-operative idea. In 1983, for example, the Second International Co-operative Management Seminar in Montevideo, Uruguay was the subject of IRU activities. The 457 participants belonged to 148 co-operative organisations in 22 countries. Speakers concentrated on European experience gained with co-operative practice. The current problems of Latin American co-operatives were also dealt with - shortage of suitable managerial personnel, insufficient funds, etc. Consultations and advice have centered on these problems since then.

National co-operative associations and the IRU make important contributions in Third World countries to the promotion of self-help. The governments of industrialised countries also often seek the expertise of the co-operatives in rendering development aid to rural regions.

3. German development aid and self-help promotion

Public and non-State development assistance

In the Federal Republic of Germany, the Federal Ministry for Economic Co-operation (BMZ) is the central authority for publicly-funded development aid. The Federal Republic of Germany's financial contributions to the Third World places it third - after the USA and Japan - on the list of main donors among the industrialised countries. In 1984 alone, this country rendered publicly-funded development assistance worth a total of 7,900 million DM. (14)

The total since the beginning of the 1950s is now around 94,700 million DM.

These monies flow into a large variety of projects, such as: the construction of industrial plants, sponsorship of small manufacturing firms, road and rail-building and transport systems, increasing crop yield in agriculture, water prospecting and the construction of irrigation systems, further development of education and medical services. Much emphasis is also placed on giving starting help to self-help groups and co-operatives.

The numerous private German organisations and institutions active in this sphere - financially backed by the Federal Government - also make a significant contribution to what is defined as the overall objective of development aid: help for self-help. They have the advantage of co-operating in the Third World chiefly with counterparts working at "grass roots" level. They involve the people concerned in the planning and execution of their projects, thus strengthening their will to help themselves. Co-operatives, youth organisations, churches and the social facilities they sponsor are examples.

Non-State organisations endeavour in particular to boost the productivity of small firms and to mobilise their unexploited resources. The chief aim here is to render the rural population capable of meeting its own basic needs without having to depend on external assistance.

In 1984, the Federal German government supported these ventures by non-State organisations with grants to the tune of around 450 million DM (1983: 411 million) - seven percent of the BMZ's overall budget. Compared to other industrialised nations, this is one of the biggest contributions to the funding of non-State organisations in the field of development co-operation. Payments by German sponsors also went up again last year, totalling more than 1,000 million DM and thus more than doubling the public grants made to them.

The organisations whose development work is supported by the Federal Government include the churches, the political foundations and other sponsors with major resources in expertise, manpower and finances and long-standing experience in the field of co-operation with Third World countries.

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The Federal Republic of Germany's economic involvement in developing countries covers all spheres, such as trade, raw materials, the flow of capital, currency, technology and manpower. A major part of exchanges is determined as a result of the private business activities of German firms. For German industry and the business world in general in this country, the developing countries represent an increasingly important market. The Federal government encourages exports by German companies by means of State guarantees. In 1984, such guarantees covered orders worth 12,960 million DM (not including OPEC countries). State development co-operation and private business activities are also important contributions to development in the Third World.

A wide range of facilities exists for co-operation and activities by German firms in Third World countries which also benefit their economic and social development. These are constantly being checked to ensure that their effectiveness is increasing and being expanded and extended wherever possible.

The instruments available to State development policy are tailored chiefly to the needs of small and medium-sized German firms interested in co-operation. The purpose is to activate their specific resources to ensure optimum effectiveness in the development sphere.

From planning to project work

Some two dozen departments of BMZ are under orders to promote self-help activities in Third World countries. They are grouped together into a working unit. This has the task:

- of finding out if, how and with what measure of success poorer sections of the population in developing countries could improve their living conditions on a lasting basis through self-help and
- to determine howself-help activities can be assisted and advanced by foreign donors.

In each individual case, the answers to whole catalogues of questions supply the necessary conclusions to be drawn. From then on, the task is:

- to explore ways of boosting the advancement of co-operatives and other self-help facilities as well as development banks, with attention being given to existing evaluation data.

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Generally, the findings of case studies are discussed then with the foreign partners concerned. After further preparatory work, decisions are taken on a series of selected projects and their financing. However, this happens almost in every case in co-operation with other institutions at national, bilateral or multinational levels. Some examples from 1984: German Society for Technical Co-operation (Indonesia, Upper Volta, Cameroon, Benin, Dominican Republic, Peru); Protestant Church Central Office of Development Aid (India, Bangladesh); Misereor (India, Indonesia, Ivory Coast, Upper Volta, Nigeria); Reconstruction Bank (Morocco, Peru); International Fund for Agricultural Development (Bangladesh, Nepal, Philippines); Deutsche Welthungerhilfe (German World Hunger Relief Agency)(Equador).

Overall, the network of international co-operation extends a great deal further and wider. One good example of this is the German Development Service (DED). This organisation co-ordinates its extensive programme with the Federal Government, then offers its services directly to the recipient countries. Within this framework, for example, DED sends to the Third World doctors, teachers, agricultural experts, engineers, skilled workers or specialists from agricultural, technical and commercial occupations. Usually, their stays of several years are preceded by intensive courses relating to their particular functions. One programme of courses includes lessons in respective languages; conversational proficiency in at least one additional language is a condition anyway. However, schooling concentrates on the culture and social history of the prospective host-country, adaptation of candidates' specialist skills and knowledge to the respective living conditions; flexibility in handling expectable problems and willingness to build relationships on trust and confidence are essential qualities.

To some extent, preparatory training is even more intensive in church and charity organisations. Many clergymen regard help for self-help as their global function in life.

Naturally, new knowledge is constantly being gained in all spheres of this work. This is reflected in the fact that, when the work was originally launched, it was referred to as "development aid", but now is known chiefly as "help for self-help". This process of re-thinking opens up the way for genuine partnership.

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Diviseema - self-help by co-operative principle

One concrete example from among 28 projects examined by BMZ in the spring of 1984 throws light on the problems involved in rural development "sur place".

Diviseema, an island in the Krishna Delta (India) with 20 villages and 120 small settlements was devastated by a tornedo in November 1977. Some 10,000 people died, 100,000 cattle were destroyed and 20,000 hectares of crops ready for harvesting swept away. Following initial disaster relief work by numerous organisations, the Catholic diocese of Vijayawada in March, 1978 set up the public benefit organisation calling itself the Diviseema Social Service Society (DSSS) to embark upon a long-term development programme to be carried out by Indian Jesuits. DSSS concentrated on five villages and 40 small settlements worst hit by the storm. Of the 11,400 persons involved, about 80 percent are Hindus, 10 percent Moslems and 10 percent Christians. Just under 85 percent of the households own land - half of them one to two hectares, a third even less.

DSSS set out to attain the following goals:

1. To awaken public awareness that existing problems can be resolved communally;
2. To promote self-help initiatives;
3. To identify and extend fields of economic development;
4. To procure financial assistance.

To these ends, four sectoral main programmes, each with several sub-programmes, were realised.

1. Agricultural development programmes:
   Procurement of harvest loans. Procurement of equipment and services (seed, fertilisers, farm machine hire, insect and rodent control). Briefings on water useage rights and canal maintenance. Introduction of a long-term savings programme.
2. Employment programmes for the landless and for women:
   Procurement of information and bank loans for the establishment of businesses or ancillary occupations in the textiles sector (spinning, weaving, sewing, embroidering) in minor trade, in village crafts, fishery or livestock.
3. Health programmes:
   Installation and operation of health/medical centres. Courses

on health care, food, domestic science.

4. General programmes:
   Installation and operation of kindergartens. Adult education courses. Establishment of a savings and loans association.

Alongside the development and employment programmes, DSSS also began with the establishment of a savings and loans association of its own. Initial difficulties and objections had to be overcome. But, by 1981, the population was sufficiently motivated to indulge in long-term savings. The DSSS target: a saver should accumulate at least (equivalent) 180 Marks in his/her personal account over a period of five years. By mid-1984, these fixed money deposits totalled 125,000 Marks. The result: while, previously, the banks refused loans to small farmers and tenants, they now accept the savings deposits as colateral. Five banks are now granting credits to this savings group amounting to up to three times the total deposits. Two-thirds of the cash goes on financing purchases in the agricultural sector (seed, fertilisers, tools, machines) and the remainder on extension of the employment programme for the landless and for women.

Co-operative-style attitudes in general dominate the DSSS project. Initially, the persons co-operating with DSSS formed 44 village and settlement groups (divided by sexes). In the phase now operating (up until 1986), these splintered working units will be united in only five major groups. This points towards the adoption of more rational and efficient production methods.

Also in 1986, the Jesuits will withdraw from this project area, leaving the population to continue activities in independent self-help groups.

The requirements to be met for the founding of co-operatives are thus fulfilled: self-help, individual responsibility, self-administration.

Several partners were involved in help for self-help in the Diviseema project: the Indian government, the Catholic church and foreign donors of money.

Sales outlets for co-operatives and self-help groups

In the establishment of rural co-operatives and self-help groups, production invariably grows in several phases. The main objective is self-sufficiency. The aim in the next development phase is

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the sale of surpluses. Profits provide, first of all, funds to cover urgent purchases; later, with the start of net profits, operating capital increases. And gradually, a modest degree of prosperity begins to emerge.

Trade lives from supply and demand. Products can be sold only if a market can be found for them. And this is where the problems begin. Farmers from one area offer largely the same items for sale at the nearest market, growing conditions being identical. Oranges, coffee beans or maize do not necessarily grow where apple trees flourish. Similarly, tradition has brought regional skills, which explains why one particular market may be saturated with clay pots and raffia baskets but have no machetas or woven products, while the reverse may be the case at some distant market-place.

Anyone wishing to sell well must be imaginative and capable of tracking down the right markets for himself. Partnership nearly always makes things easier. Rural co-operatives work together with transport co-operatives, ensuring that their products can reach outlying market-places and find ready buyers. Co-operative associations can be consulted for advice in such situation. If products are hard to sell at home, there may be markets for them abroad - not for individual small farmers, but probably for co-operatives and larger self-help groups. In many cases, activities of this kind are promoted by governments. The larger the co-operative basis, the better the chances of success. In any case, sales outlets overseas have to be explored by those offering goods for sale. Longer-term export business can only be built up via contacts with the importers.

The overseas imports fair "Partners for Progress" held every September in Berlin (West) performs important functions in pioneering and intensifying business contacts for exporters from the Third World.

"Operation Third World Trade" proceeds rather unconventionally. It is operated by GEPA (Society for the promotion of partnership with the Third World), an organisation with five regional branches in the Federal Republic of Germany.

Purpose of the organisation:
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"GEPA imports the products of co-operatives, self-help groups and some State organisations in so-called "Third World" countries, thus promoting their endeavours for independence and economic and social betterment. It sells these wares by way of action groups and Third World shops, supporting their solidarity and educational work within the framework of Operation Third World Trade. GEPA is sponsored by the following societies: Third World Shops Working Association; regional associations of action groups, church youth organisations (AEJ and BDKJ), the Misereor relief scheme, the Catholic church and the Protestant church's development services. All GEPA activities are determined and controlled by these organisations".

GEPA works at present in collaboration with 40 organisations in more than 20 countries in the Third World. It deals in more than 400 different wares. For example, tea deliveries come from Tanzania and Sri Lanka, coffee from Tanzania and Nicaragua, honey from Mexico and Guatemala and leather sandals from India. Their manufacturers are members of the "Palm Rural Centre", a public utility association which has developed along co-operative lines. The project was launched in 1978 by penniless natives and today involves about 50 families who are able to add around 10 percent of their monthly incomes to growing savings deposits.

A development project in Peru has quite a different structure. Some 19 groups of craftsmen are engaged in creative work making waistcoats, pullovers, mantles, blankets and carpets from sheep's or alpaca wool, as well as leather goods and carved functional products.

Apart from GEPA, the main "takers" of these products are similar organisations in Austria, Switzerland, Sweden and the Netherlands. In the Federal Republic of Germany, GEPA supplies some 4,000 action groups and 200 Third World Shops with the products of its overseas partners. Here an example of prices: 1 kg. of roasted coffee beans costs 26 Marks in a Third World Shop. transport, packaging, other costs and coffee tax swallow 12.95 Marks of this. The producer-co-operative gets 10.75 Marks, which is about four times the market price in the country of origin. The vendors are content with a trade margin of ten percent (2.60 Marks). (21)

Summary

In many Third World countries, the individualistic striving for property and ownership by small farmers has a long tradition.So they operate in accordance with "traditional" methods yielding usually the lowest profits.

No-one disputes the fact that modern, rational work-processes produce more profits. But these have to be recognized and learnt. No individual is likely to be able to do this alone - and this is where help for self-help comes in, providing the knowledge needed. This is the first step towards setting up a self-help group, and from there, it is not far to a full-blown co-operative arrangement. Co-operatives are backed up by their associations and a network of other connections. What is gained, after all, if the harvest is in and ready for transport to where it can be sold, but the truck doesn't turn up? However, if the driver is a member of a transport co-operative, he will do everything in his power to ensure that the truck gets to his colleague in agriculture punctually.

All these details of co-operative work have been tried and tested for more than 100 years. They date back to the life's work of a man who, around the middle of the 19th century, encouraged the rural population in Germany to get together and help one another cope with poverty and hardship.

4. Federal Republic of Germany: a model case

Legal principles for co-operatives

The Federal Republic of Germany today has a highly developed co-operative movement. In the eyes of German mercantile law, a co-operative is a juridical person (merchant), its executive board being its legal representative. It has no fixed limit of membership. The basic principles of this association of individuals with the aim of economic advancement are:

- equality of members in relation to one another
- self-administration by the co-operative's organs
- jointly founded business operation.

At least seven persons must participate in the founding of a co-operative, and they must draw up a statute and appoint executive and supervisory boards. The co-operative becomes legally binding

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when entered in the co-operatives register of the appropriate local court.

Only registered co-operatives have enjoyed legality in the Federal Republic of Germany since 1974 as either:

- a registered co-operative with unlimited liability, whereby the members of the co-operative with their entire assets stand good for the liabilities of their joint business venture. Or:
- a registered co-operative with limited liability, whereby the risk embarked upon by members is limited to set liability sums not below the respective shares of members.

In contrast, co-operative associations, legally speaking, take the form of registered organisations rated by the State as being worthy of sponsorship. Co-operation between the German Co-operative and Raiffeisen Association and the umbrella organisations in the developing and threshold countries within the framework of the International Raiffeisen Union, for example, is regarded as particularly worthy of sponsorship.

The organs of the co-operatives are the general assembly, the executive board and the supervisory board. Each member has a vote in the general assembly; a member can gain up to three votes by acquiring several shares. If a co-operative has more than 3,000 members, the general assembly is replaced by a representative assembly. Each co-operative must submit to regular scrutiny, and it must belong to an examining association.

All co-operatives in the Federal Republic of Germany are members of a firmly structured organisation, bringing with it the obligation of mutual assistance. And it is upon this that the remarkable success of the co-operative rests.

The German Co-operative and Raiffeisen Association

The German Co-operative and Raiffeisen Association forms the common roof organisation of all co-operative banks, rural and industrial goods and services. This organisation has been in existence since the German co-operative system was reformed in 1972. It unites the former industrial German Co-operative Association (Schulze-Delitzsch) and the rural German Raiffeisen Association.

On a national level - and also in 1972 - three federal associations

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covering particular specialised branches were formed under this common umbrella organisation. Of those, functions are:

- the Federal Association of German Volksbanken (people's banks) and Raiffeisenbanks (BVR) is responsible for the credit co-operatives;
- the German Raiffeisen Association (DRV) for rural goods processing and service co-operatives (including the goods sector of credit co-operatives with goods transactions) and
- the Central Association of Co-operative Wholesale and Service Enterprises (ZENTGENO) for industrial goods and services co-operatives.

Additionally at national level are six specialised examining associations and 32 co-operative federal centres and special establishments (as of 31.12.84).

At regional level, there are 14 regional associations, eight central banks, 53 Raiffeisen goods centres and 13 commercial goods centres, giving a total of 74 central business facilities.

At local level, 6,511 Raiffeisen co-operatives (including 2,124 credit co-operatives with merchandise transaction), 3,712 co-operative credit institutes with 19,704 banking points (2,124 with trading), 848 commercial co-operatives and 35 commercially-orientated credit co-operatives function outside the Volksbanken/Raiffeisen-banken organisation.
Co-operatives in the Federal Republic of Germany claim a total of 14.5 million members, including double-memberships. With the latter deducted, total membership is 11.5 millions.

Co-operative credit system

Capital accumulation is the basis of co-operative activities, because every investment costs money. This forms the foundation for the enormous economic power of the co-operative banking organisation in the Federal Republic of Germany.

Of the total of 11.5 million co-operative members, 9.7 million are members of the Volksbanken and Raiffeisenbanken. In turn, these are represented in the form of 3,712 credit institutes with some 19,700 banking points. This organisation thus operates the most closely-knit network of banking points in Europe. Additionally, at regional level, there are eight central banks with 46 branches. The following comparative figures show the growth of these organisations over the past decade.
(24)

	1973	1983
	(in DM millions)	
Savings deposits		
- Volksbanken and Raiffeisenbanken	69,216	182,858
- Central Banks + DG Bank	2,213	4,152
Balance total		
- Volksbanken and Raiffeisenbanken	123,040	364,639
- Central Banks + DG Bank	43,170	129,834
Obligations		
in respect of non-banks		
- Volksbanken and Raiffeisenbanken	102,341	294,108
- Central Banks + DG Bank	5,396	11,990
Demands		
in respect of non-banks		
- Volksbanken and Raiffeisenbanken	77,441	237,485
- Central Banks + DG Bank	7,752	24,564

The main member of the co-operative banking group in the Federal Republic of Germany is Deutsche Genossenschaftsbank (DG Bank) in Frankfurt-on-Main.

Parallel to this, a central association represents the political, economic and social interests of the credit co-operative organisation. The main functions of the Federal Association of Deutsche Volksbanken and Raiffeisenbanken in Bonn are:

- to promote the development of the co-operative credit system;
- to represent the specialised and particular economic policy, legal policy and taxation policy interests of its members in regard to the law-giving organs, ministries and other institutions;
- to advise members in legal, taxation and business management matters;
- to establish facilities to consolidate and advance credit co-operatives and to create, maintain and support training facilities.

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This organisation is one which possesses "clout". Together, its 9.7 million members represent a significant economic force, having provided some 182,860 million DM for co-operative work. The organisation of Volksbanken and Raiffeisenbanken, together with Central Banks and Deutsche Genossenschaftsbank, completed the 1983 business year with a balance total of 494,470 million DM. The national economic significance of this is illustrated by means of a comparison: the Federal Republic of Germany's total exports in 1983 were worth 432,300 million DM. There can therefore be no doubt whatsoever as to the economic weight carried by the co-operative credit institutes.

Case example: rural co-operatives

Agriculture in the Federal Republic of Germany is now in the final throes of far-reaching structural change. In 1945, after the Second World War, Germany was divided into four Occupation Zones; the eastern territories were placed under foreign control in their entirety. Years of hunger and starvation were experienced during and immediately following the war. The country's agriculture was not capable of meeting food requirements and imports were restricted.

In a certain sense, parallels can be drawn between this and the situation in many developing countries. Here, as in those countries, market mechanisms were and are unable to function fully. In both cases, we observe a lack of orientation towards a highly productive agricultural economy. Furthermore, in post-war Germany, the once flourishing co-operative system had practically vanished.

The Federal Republic of Germany emerged from the three western Occupation Zones in 1949, and enforced reconstruction work began in the new State. By the early 1950s, the world was witnessing what was referred to widely as the "German economic miracle". Success was manifested above all in the form of strong industrial expansion and this resulted in a drift away on a massive scale by working people leaving agriculture to take up more lucrative jobs in industry and commerce.

In the course of this development, numerous small farmers either abandoned their farms or worked there only part-time. But another process was more important: the abandonment of traditional methods and the introduction of new modes of work in agriculture. Up until then, arable land had been split up into small parcels. (26)

With the onset of the drift away from the land, farmers who had decided to stay on found themselves being offered land for sale; the inevitable result was a re-distribution of agricultural land.

As small fields were merged, large units emerged. Within only a couple of years, work horses and oxen disappeared and farms became motorised and mechanized. More economical production methods improved yield. Today, completely rationalised farming units are the general rule in the Federal Republic of Germany. But the breakthrough into modern agriculture was possible only because this young State had a strong agricultural self-help organisation. In 1953, there were more than 21,000 Raiffeisen co-operatives in the Federal Republic of Germany. They had 2.9 million members. Since then, the continuous structural change process has forced the dismantling of many co-operatives. However, those that remain are considerably more efficient, have more members and can boast major sales boosts.

Development of Raiffeisen co-operatives 1953 to 1983

Year	Number	Total turnover in DM millions	Membership
1953	21, 074	9,692	2,932,147
1963	19,830	22,174	3,557,918
1973	10,758	44,477	4,170,387
1982	7,015	80,291	4,532,146
1983	6,784	83,705	4,607,110

In 1983, the entire farming world of the Federal Republic of Germany effected more than 50 percent of its turnover with the Raiffeisen co-operatives.

Every farmer is a member of one or more co-operatives; 3.1 million individuals have acquired a total of 4.6 million memberships.

Raiffeisen co-operatives provide their members with equipment; they record, process and market the products of farmers. Not of least importance is that they advise farmers on market-orientated production.

However, despite all this, farmers organised in co-operatives continue to work independently on their own land. But since the 1950s, most full-time farm businesses have been subjected to

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fundamental changes. Traditional farmyards have been transformed into highly automated production sites, specialising in particular products. So the co-operatives have had to go along with this re-structuring. They have become more efficient units serving wider regions.In many cases, several specialised co-operatives are based in the same place. The following is a breakdown of the spectrum covered by Raiffeisen co-operatives, as of 31st December 1983:

Organisations of the German Raiffeisen Association (as of 31.12.83)	Number	Turnover in DM millions
Primary co-operatives		
Credit co-operatives with goods transaction	2,175	8,200
self-marketing	2,171	
Supply and sales co-operatives	908	8,04o
self-marketing	874	
Dairy and milk-processing co-operatives	1,236	19,670
self-marketing	416	
Cattle processing co-operatives	245	4,216
self-marketing	160	
Fruit and vegetable co-operatives	124	1,227
self-marketing	99	
Vintner co-operatives	329	918
self-marketing	200	
Other goods and processing co-operatives	312	
self-marketing	281	
Service co-operatives	1,399	1,942
Total:	6,728	44,213
Central co-operatives		
Main co-operatives	11	17,801
Dairy and egg marketing co-operatives	13	6,661
Cattle and meat centres	9	10,089
Central cellars	6	358
Miscellaneous	13	---
Total	52	34,909

In summary, it can be noted that the rural and manufacturing co-operatives and credit co-operatives in the Federal Republic of Germany have succeeded in continuously expanding and consolidating their position within the framework of the country's market economy. As the biggest organisations of medium-size enterprises, the co-operatives have adapted to the new circumstances prevailing in an industrialised society. At the same time, they have also remained in their role as media of joint action to provide their members with a living in the Third World as well. The voluntary character of the organisation and co-operation combine to form the key feature of every western-style co-operative. If this voluntary element were to be replaced with compulsory membership or a system of State measures to impose blanket equality with Marxist aims, there could no longer be talk of personal development in a co-operative or of its support for the existence of the individual and his desire to remain independent. A certain similarity to the designation of east European joint production units thus leads to dangerous misunderstandings.

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